

Message Text

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ORIGIN EB-11

INFO OCT-01 ARA-16 EUR-25 EA-11 ISO-00 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08

L-03 LAB-06 NSAE-00 NSC-10 PA-04 RSC-01 AID-20

CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

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DRAFTED BY EB/OT/GCP:DTMORRISON:DI

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ARA/ECP:MDAVILA

EUR/RPE:JMCCARTHY

AGRICULTURE:FAS:DDLOUHY

COMMERCE:RADES

STR:RMATTHEISEN

TREASURY:CLEIGH

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R 142254Z DEC 73

FM SECSTATE WASHDC

TO AMEMBASSY NASSAU

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY CANBERRA

AMEMBASSY KINGSTON

AMEMBASSY OTTAWA

AMEMBASSY WELLINGTON

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SUBJECT: COMMONWEALTH TARIFF PREFERENCES

E.O. 11652: N/A

TAGS: BEXP ETRD BF

REF: NASSAU 1885 (NOTAL)

1. U.S. POLICY ON COMMONWEALTH PREFERENCES IS CONSISTENT
WITH OVERALL U.S. TRADE POLICY PROMOTING WORLD TRADE

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EXPANSION ON MFN BASIS. WHERE PREFERENCES AMONG

COMMONWEALTH COUNTRIES ESTABLISHED, MAINTAINED, OR WIDENED IN VIOLATION OF GATT OBLIGATIONS (DOLLAR AREA QUOTAS, FOR EXAMPLE), U.S. HAS ACTED WITHIN GATT FRAMEWORK TO SECURE NON-DISCRIMINATORY TREATMENT OF U.S. EXPORTS.

2. STATUS OF LONGSTANDING COMMONWEALTH PREFERENCES BETWEEN UK AND TERRITORIES OR FORMER COLONIES, WHICH LEGITIMATIZED UNDER PROVISIONS FOR GATT ACCESSION, WILL BE CHANGED IN MOST CASES BY ONGOING EC OF NINE TRADE NEGOTIATIONS WITH AFRICAN, CARIBBEAN AND OTHER ASSOCIATED AND ASSOCIABLE STATES (AAS). IF AAS COUNTRIES MAINTAIN COMMON FRONT OF OPPOSITION TO REVERSE PREFERENCES FOR EC, THIS ELEMENT OF UK-COMMONWEALTH COUNTRY PREFERENCES SHOULD BE RESOLVED TO MUTUAL ADVANTAGE OF U.S. AND AAS COUNTRIES. SPECIAL PREFERENCES WHICH MAY BE ACCORDED AAS COUNTRIES BY EC IN THESE NEGOTIATIONS WILL BE SUBJECT OF APPROPRIATE U.S. REPRESENTATIONS WHERE DISCRIMINATION AGAINST U.S. EXPORTS

POSES THREAT TO U.S. TRADE INTERESTS. AAS OPPOSITION TO REVERSE PREFERENCES HAS BEEN BASED ON RECOGNIZED SELF INTERESTS IN AVOIDING INEFFICIENT PROCUREMENT/ REVENUE LOSSES. USG VIEWS OPPOSING REVERSE PREFERENCES HAVE BEEN MADE CLEAR IN BILATERAL AND MULTILATERAL SETTINGS (INCLUDING GATT AND UNCTAD) WITHOUT U.S. BECOMING DIRECTLY INVOLVED IN ATTEMPTING SHAPE AAS APPROACH TO ENSUING EC NEGOTIATIONS. SPECIFICALLY, WE HAVE TAKEN POSITION THAT REVERSE PREFERENCE ARRANGEMENTS BETWEEN DEVELOPED AND DEVELOPING COUNTRIES BELIE AVOWED DEVELOPMENTAL INTENT OF SUCH TRADE ASSOCIATIONS. WE ALSO HAVE TAKEN POSITION THAT FTA OR CUSTOMS UNION ASSOCIATION WITHIN MEANING GATT ARTICLE XXIV IMPOSSIBLE BETWEEN COUNTRIES AT VERY DIFFERENT STAGES OF DEVELOPMENT.

3. UK HAS BEEN STRONG OPPONENT OF REQUIREMENTS FOR AAS RECIPROCAL CONCESSIONS IN ONGOING EC TRADE NEGOTIATIONS WHICH WILL LARGELY DETERMINE UK-BAHAMAS TRADING RELATIONSHIP AFTER JANUARY 31, 1975. SAME OR SIMILAR SITUATION OBTAINS WITH RESPECT TO OTHER COMMON-LIMITED OFFICIAL USE

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WEALTH CARIBBEAN COUNTRIES.

4. IMPORTANT ELEMENT IN OVERALL U.S. POLICY OF OPPOSITION TO NON-GENERALIZED PREFERENCES IS MANDATORY PROVISION IN PENDING TRADE REFORM ACT (TITLE V) WHICH WILL MAKE DEVELOPING COUNTRY ELIGIBILITY FOR PROPOSED U.S. GSP PROGRAM CONDITIONAL UPON AGREEMENT TO ELIMINATE REVERSE PREFERENCES TO DEVELOPED COUNTRIES OTHER THAN THE U.S.,

WHERE THEY EXIST, BEFORE JANUARY 1, 1976.

5. USG CONCERNED ABOUT BOTH PRINCIPLE AND SPECIFIC TRADE EFFECTS OF PREFERENCES--EVEN IF LATTER OF MARGINAL IMPORTANCE IN TERMS U.S. TRADE WITH MANY SMALLER TRADING COUNTRIES. APART FROM STRATEGIES CITED PARAS 2 AND 4, USG HAS USED PAST TARIFF NEGOTIATIONS AND INTENDS USE MTN NEGOTIATIONS, TO REDUCE OR ELIMINATE SPECIFIC TARIFF PREFERENCES WHICH ADVERSELY AFFECT U.S. EXPORTS. WE ALSO EXPECT UK ACCESSION TO EC, COMBINED WITH U.S. GSP AUTHORITY SOUGHT IN TRA, WILL SUBSTANTIALLY WEAKEN BASIS FOR CONTINUANCE OF DISCRIMINATORY TRADING ARRANGEMENTS AS ELEMENT OF COMMONWEALTH ACTIVITY.

6. WE BELIEVE EMBASSY MAY BE IN BEST POSITION SURVEY SPECIFIC EFFECTS OF PREFERENCES ON U.S. EXPORTS TO BAHAMAS. RUSH

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